

The complaint

Mr P complains that Lloyds Bank General Insurance Limited, has unfairly declined to cover a claim made for fire damage and cancelled his policy.

What happened

Mr P took an insurance policy out with Lloyds in April 2024. The policy was taken out via a price comparison website and this resulted in some of the property details being pre-populated, with the ability to edit anything which was incorrect. Mr P accepted the details provided as being correct with the property being recorded as having seven bedrooms and three bathrooms.

There was a fire at the property in March 2025 and Lloyds sent a loss adjuster to assess the claim and damage. It was noted the property had more than three bathrooms and Lloyds said the total number of bathrooms and bedrooms combined was in excess of its risk appetite. Had the correct number been recorded when the policy was applied for, it said no quote would have been returned or cover provided.

Lloyds said because it would not have provided the cover had the correct information been provided at inception, it was unable to cover the claim for fire damage. It cancelled the policy from inception and retained the premium paid as it has already paid over £10,000 for alternative accommodation which it was not seeking to recover.

Mr P brought his complaint to this Service as he didn't think Lloyds had acted fairly when taking the steps it had.

Our investigator looked at this complaint and didn't think Lloyds needed to do anything else. They recognised the impact of this claim not being accepted and the policy being cancelled from inception. But explained why they felt Lloyds had fairly taken the steps it had and it was entitled to do this under the Consumer Insurance Disclosure and Representations Act 2012 (CIDRA).

Mr P did not agree with the investigators assessment. He said he felt reasonable care had been taken not to make a misrepresentation and it was a genuine mistake when the number of living rooms was put as seven and not the number of bathrooms. He felt Lloyds system should have never allowed a policy to be issued and Lloyds had the opportunity to identify the error ahead of the policy being incepted.

Our investigators opinion remained unchanged. They said they cannot share the underwriting criteria with Mr P but were satisfied it had been correctly applied. Lloyds had sent confirmation of the policy to Mr P and this set out the details of the property insured and Mr P had the responsibility on him to check the details were correct and accurate. It wasn't fair to expect Lloyds to have taken additional steps to verify whether the information provided by Mr P was correct.

Mr P maintained that he didn't think Lloyds' decision to cancel the policy and not cover the claim is fair and he asked for the case to be referred for decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've decided not to uphold this complaint, for much the same reasons as our investigator. I appreciate this will be upsetting for Mr P and his family as the impact of this decision is significant. But I'll explain why I don't think Lloyds needs to take any further action with the claim or Mr P's policy.

It is not disputed that the information provided about Mr P's property at inception was not an accurate reflection of the property. Mr P has said he feels reasonable care was taken to answer the questions correctly and because of this, Lloyds should not be able to cancel the policy and avoid the claim.

The relevant law here, as explained by our investigator is CIDRA. This sets out the duty on a consumer to take reasonable steps not to misrepresent. When deciding this, consideration needs to be given to whether the insured was asked clear and specific questions.

The questions asked here were via a price comparison site with the relevant questions to Lloyds' actions being:

"How many rooms does your house have?"

Please edit anything you don't agree with

My House has 3 bathrooms.

This includes en-suites and any room containing a toilet."

I am satisfied this is a clear question and while Mr P has explained why he didn't think he needed to include some of the bathrooms, the guidance on what should be included is not ambiguous or unclear.

Mr P has highlighted Lloyd's does not provide a definition of a bathroom in its policy and he has said the English dictionary definition says this is:

"A room with a bath and/or shower and often a toilet"

He has followed this to say six of the seven rooms with a toilet have a bath or shower in them and while he may dispute whether they are in use or not, even if discounting the downstairs W/C, the total number of bathrooms and bedrooms would exceed ten.

However, the correct number of bathrooms, when applying the guidance set out with the application questions is seven and I am satisfied when Mr P agreed with the statement to say his house had three bathrooms, this was a misrepresentation.

Lloyds said it felt Mr P has been reckless when answering this question incorrectly. I think this is reasonable when considering the information provided to Mr P when answering the questions about his house. Mr P said because some en-suites were not in use, he didn't think these needed to be included, nor did he feel the downstairs toilet (W/C) needed to be. But as I've said, I think the guidance on what should or shouldn't be included within this is clear and any room including a toilet and en-suites were highlighted as something to be included. The use of the rooms and whether daily or not was not a consideration.

Mr P has also said the number of bathrooms and living rooms were input incorrectly with the living rooms being recorded as seven and only three bathrooms when this should have been the other way around. Mr P feels this could be a mistake by the comparison website when pulling the data through.

I've not seen anything to demonstrate this was the case or that it was an error with the information pulling through. And once the policy had been accepted, Lloyds provided Mr P with the policy documents. This included the welcome letter which asked Mr P to check the details were correct and highlight any errors. No action was taken when this was sent, nor later when the renewal invite for the 2025/26 policy was sent in February 2025.

Mr P has said he feels Lloyds had the chance to realise there was an error with the property details but as our investigator has said, insurers rely on the information provided in good faith. And CIDRA places an obligation on the insured to make sure reasonable care is taken not to misrepresent the information. I am satisfied here that Mr P did not take reasonable care and it is fair for Lloyds to treat this as reckless.

Lloyds has been able to demonstrate that had Mr P provided the correct information about his property and the total number of bedrooms and bathrooms, it would not have offered a policy. So when applying CIDRA, the breach of the duty can be considered a qualifying breach.

Mr P has questioned Lloyds' underwriting criteria and whether it is fair for it to place these limits. But as the insurer providing insurance policies, it is free to determine the level of risk it accepts. As Lloyds has shown it would not have accepted the risk in the first instance, I cannot ask it to consider a proportionate settlement as this is not relevant to this claim. This is only a remedy available under CIDRA where the insurer would have provided cover but at a different cost and this is not relevant here.

I know Mr P has asked to see the criteria but this is not something Lloyds needs to share as its underwriting criteria is commercially sensitive, but I am satisfied it has acted fairly when explaining no cover would have been provided.

As I've explained, I think Lloyds has acted fairly when treating this misrepresentation as reckless and this means it is entitled to avoid the policy by cancelling it from inception and does not need to return the premiums paid. If it was to be treated as careless over reckless, this wouldn't change the claim decision as Lloyds would still be entitled to avoid the policy and decline the claim.

Lloyds has said it is not going to seek to recover the costs from Mr P it has incurred already when dealing with this claim and I think this is fair. And I don't think it is unreasonable that alongside this, it has said it will not be returning the premium paid.

I appreciate this is a disappointing answer for Mr P and his family. The impact of a claim event of this nature with fire is significant even with cover in place. But my role is to determine whether Lloyds has acted fairly with the steps it has taken. And for the reasons I've set out, I am satisfied it has.

My final decision

For the reasons I've explained above, I don't uphold Mr P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 11 March 2026.

Thomas Brissenden
Ombudsman